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# Development of Special Economic Zones in the Context of the Digital Economy

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**Abstract:** This article discusses the development of special economic zones in Uzbekistan in the digital economy. It also analyzes the establishment of technoparks and technopolises, which are important elements of the digital economy and special economic zones, increasing their efficiency. Based on the results of the analysis, important proposals and recommendations for the use of digital economy technologies in the development of special economic zones in Uzbekistan have been formed.

**Keywords:** special economic zone, digital economy, investment project, investor, special scientific-technological zone, tourist-recreational zone, free trade zones, special industrial zone, startup projects.

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**Introduction.** The acceleration of the “digitalization” of the economy in the world community is also affecting Uzbekistan. In the context of the digital economy, the role of the economy is growing and the supply of high technology for the digital economy plays an important role in special economic zones, including technoparks, technopolises. In particular, the consistent development of special economic zones in our country requires the use of digital economy technologies in this regard. Nowadays, the World Investment Report, published annually by a number of major international financial institutions and research institutions, including the United Nations Conference on Trade and Development (UNCTAD), states: “Special economic zones are widely used in most emerging and developed economies. The flow of investment into the economy will be intensified through the financial and regulatory incentives provided by governments in these geographically limited areas, as well as support for infrastructure development initiatives. Today, there are more than 5,400 special economic zones in 147 countries, up from about 4,000 five years ago. It should be noted that the growing trend of investment activity in special economic zones is part of a new wave of global industrial policy and a response to growing competition in the international mobility of investment. Currently, the use of digital high-innovative technologies is a key goal in further improving the functioning of special economic zones, and many measures are being taken in this direction.[4]

One of the most pressing issues in the further development of special economic zones in the digital economy is the introduction of information and communication technologies in their activities. In this regard, the President of the Republic of Uzbekistan Sh. Mirziyoyev said in his Address to the Oliy Majlis this year: “Of course, we know very well that the formation of a digital economy requires the necessary infrastructure, a lot of money and manpower. But no matter how difficult it is, if we do not start this work today, when will we start ?! It will be too late tomorrow. Therefore, the active transition to the digital economy will be one of our

top priorities for the next 5 years. “Digital technologies not only improve the quality of products and services, but also reduce unnecessary costs.”[3]

**Analysis of the relevant literature.** The research conducted by foreign economists T.Farole, J.Zhan, I.Shablinsky, V.Popov, T.P.Danko, K.Yeongjin studied the types of special economic zones, their activities and investment attraction. Also, some aspects and solutions of the existing problems in this area are researched and studied in scientific works. by the economists of our country A.Vakhabov, Sh.Khajibakiev, N.Muminov, S.Mirzalieva, Sh.Mustafakulov, J.Karimkulov, A.Ostanakulov, M. Raimjanova

In the economic literature created by the above scholars, free economic zones are described differently. In particular, T.P.Danko and Z.M.Okrut assess free economic zones as “... a mechanism for creating a favorable investment climate and stimulating production, trade, scientific activity.”[5]

According to T. Avishek, free economic zones are a separate duty-free enclave, which is defined as a foreign territory for trade operations, customs and tariffs. D.Matthieu describes this as follows. Free economic zones are geographically defined areas that are regulated and managed from another host country in order to attract foreign direct investment in economic activities.[6]

Leading economists of our country have a different approach, focusing on preferential treatment and administrative management in free economic zones. Therefore, in the opinion of AV Vakhabov, Sh.Kh. Khajibakiev, NG Muminov, a free economic zone is a limited area with a special preferential economy for local and foreign entrepreneurs.[8]

According to J.Karimkulov, Doctor of Economics, “Free economic zones are regions with expanded independence in the implementation of certain economic activities, special regimes of governance and preferential conditions for economic activity of investors. This general definition allows us to place the free economic zones of different types and forms found in world practice and the definitions given to them in a single general line.”[9]

**Research methodology.** The article makes extensive use of a number of research methods aimed at covering the activities of special economic zones in the digital economy, including interpretation, statistical observation, induction and deduction, monographic research and clustering.

**Analysis and results.** So far, 539 investment projects have been successfully implemented, including that, 43,000 jobs have been created in free economic zones, small industrial zones, technoparks and industrial clusters totaling 2.9 billion USD (including 0.9 billion USD in foreign direct investments). These projects are mainly implemented in the fields of electrical engineering, leather and footwear, construction materials, oil and gas, pharmaceuticals, tourism, greenhouses, consumer goods, which are the growth points of our economy. As a result of these tasks, by the end of the year it will be possible to export 400 million USD worth of products and produce 350 million USD worth of import-substituting goods. This, in turn, will allow to allocate more than 2 trillion soums to the state budget.[13]

In order to further improve the industry, the Law of the Republic of Uzbekistan №. LRU-604 of May 19, 2020 “On Special Economic Zones” was adopted. The purpose of the law is to regulate relations in the field of organization of functioning and development of special economic zones.[1]

The main concepts of this law are given in the following table:

**Table 1 basic concept in the activities of special economic zones.<sup>1</sup>**

<b>№</b>	<b>Concept</b>	<b>Definition of Concept</b>
1.	special economic zone	an area with specially designated boundaries and a special legal regime for the purpose of attracting foreign investment and domestic investment, high technology and management experience for the accelerated socio-economic development of the relevant territory;
2.	special legal regime	a set of legal norms establishing special conditions for investment and other business activities in the territory of special economic zones;
3.	register of participants of the special economic zone	a database containing information on the participants of the special economic zone and investment projects;
4.	master plan of the special economic zone	is a project document approved by the administrative council of the special economic zone or the company managing the special industrial zone, on the basis of which the planning, construction, reconstruction and other types of urban development of the special economic zone are carried out.

According to the above law, the organization and regulation of the operation and development of special economic zones in the country is carried out by the state. These powers are delegated directly to the Cabinet of Ministers of the Republic of Uzbekistan and a number of government agencies.

- It should be noted that a separate program for the development of the special economic zone will be implemented, including:
- creation of production infrastructure;
- providing programs for the development of engineering and communications and road transport infrastructure;
- organization of a set of measures to attract foreign investment and local investment in accordance with the activities and sectoral specialization of the special economic zone;
- “Currently, the special economic zone development program in Uzbekistan will be financed from the zone's own resources, private sources, the State Budget of the Republic of Uzbekistan, international financial institutions and foreign government financial institutions, as well as other sources not prohibited by law.[1]

Since special economic zones are also divided into several types, we can see that they are classified as special economic zones in the following figure:

<sup>1</sup> Created by the author through electronic resources. Source: <https://lex.uz/docs/4737511>

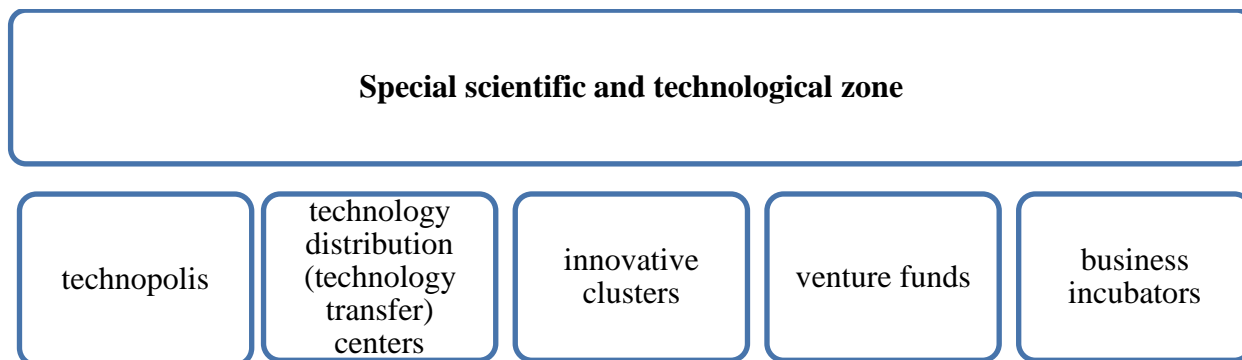


**Figure 1. Identification of special economic zones in Uzbekistan<sup>2</sup>**

Special scientific-technological zone is an area where scientific organizations and other organizations in the field of scientific activity (technology parks, technology distribution (technology transfer) centers, innovation clusters, venture funds, business incubators, etc.) are gathered for the development of innovation infrastructure.

It is known from world experience that among the above-mentioned zones, special scientific and technological zones (technoparks, technopolises) are among the most promising areas today.

Special scientific and technological zones, in turn, are classified into several types. Through the picture below we can see the classification of special scientific and technological zones. (Figure 2)



**Figure 2. Classification of special scientific and technological zones<sup>3</sup>**

In this regard, to date, separate technoparks and technopolises in Uzbekistan have not been established until the adoption of the above-mentioned law. Therefore, a number of measures are being taken to establish technology parks aimed at developing the digital economy. In particular, Resolution of the Cabinet of Ministers of the Republic of Uzbekistan dated May

<sup>2</sup> Created by the author through electronic resources. Source: <https://lex.uz/docs/4737511>

<sup>3</sup> Created by the author through electronic resources.

22, 2020 No 313 “On measures to establish youth technology parks in the regions of the Republic” was adopted. According to the resolution, the following are the main tasks:

- Development of the Youth Academy under the Ministry of Innovative Development of the Republic of Uzbekistan in the regions, increasing the intellectual, scientific and creative potential of young people in cooperation with local executive authorities, educational institutions, scientific organizations and Technology and Innovation Support Centers;
- analytical thinking of young people in the regions, their broad involvement in research and innovation, creating the necessary conditions for talented, enterprising young people to demonstrate their intellectual potential and social adaptation;
- enhancing the innovative potential of the regions through the development of youth “startup” projects and the creation of a single platform for their implementation;
- deepening the integration of science, education and industry in order to train qualified personnel to meet modern requirements, as well as to provide the regions with quality, high-tech products and services;
- assistance in the training of talented young people in prestigious research centers, universities, technology parks and industrial organizations of developed countries;
- organization of scientific and technical conferences, seminars, training courses and workshops with the participation of representatives of leading companies, qualified specialists and experts, as well as the formation of practical skills in young people and the establishment of innovative corporate relationships with manufacturers;
- selection of projects on topical areas proposed by talented young people and their orientation to the competitions announced by the Ministry of Innovation Development of the Republic of Uzbekistan for thematic grants;
- involvement of researchers, professors and students of higher education institutions in order to implement scientific and technical, innovative and “startup” projects.[2]

It is planned to gradually establish youth technoparks in 2020-2023, which will provide for the widespread introduction of digital technologies in the regions of the country. (Table 2)

**Table 2 Schedule of plans for the gradual establishment of youth technology parks in the regions of the republic in 2020-2023<sup>[2]</sup>**

№	Region Name	Location	Region Name	Location	Region Name	Location
	Implementation period		Implementation period		Implementation period	
1.	The Republic of Karakalpakstan		Nukus		2020	
2.	Andijan region		Andijon			
3.	Samarkand region		Samarkand			
4.	Navoi region		Navoi		2021	
5.	Syrdarya region		Sirdaryo			
6.	Tashkent region		Ohangaron			
7.	Bukhara region		Olot		2022	
8.	Namangan region		Namangan			
9.	Fergana region		Fergana			
10.	Khorezm region		Urgench		2023	
11.	Jizzakh region		Jizzax			
12.	Surkhandarya region		Termiz			
13.	Kashkadarya region		Karshi			

At present, on the basis of the above schedule, high-tech, innovative youth technology parks have been established in Nukus, Republic of Karakalpakstan, Andijan, Andijan region, Samarkand city, Samarkand region.

**Conclusions and suggestions.** In addition to the above, the establishment of technoparks and technopolises at each higher education institution, along with the development of special scientific and technological zones, can be highly effective in developing the skills and talents of gifted and disabled students. On the other hand, high employment rates can be observed for graduates of higher education institutions. In addition, this opportunity provides an opportunity for young people studying theoretical knowledge to test their knowledge in practice.

Based on the above experience, the implementation of the following on the development of SEZ in Uzbekistan can have a positive effect:

- It is necessary to simplify the organizational and legal processes associated with the establishment of existing SEZ in the country. In this regard, it is advisable to introduce digital technologies into the system. In this regard, the use of the process of non-governmental organization of small industrial zones in India can have a positive effect;
- In order to attract more foreign investment to existing SEZs, especially in the pharmaceutical sector, offering a “separate package of benefits” for large transnational companies in this field will serve to increase the investment potential of SEZ.

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